

Message Text

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ACTION ARA-17

INFO OCT-01 ADP-00 CIAE-00 DODE-00 INR-10 NSAE-00 PA-03

RSC-01 USIA-12 PRS-01 AID-20 COME-00 EB-11 FRB-02

TRSE-00 XMB-07 OPIC-12 CIEP-02 LAB-06 SIL-01 SAL-01

OMB-01 SS-14 NSC-10 GSA-01 OEP-01 INT-08 RSR-01 L-03

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R 291506 Z MAR 73

FM AMEMBASSY BUENOS AIRES

TO SECSTATE WASHDC 1483

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E. O. 11652: N/A

TAGS: ESTC, EIND, AR

SUBJECT: FURTHER ARGENTINE REACTION TO ANNOUNCED US STOCKPILE
DISPOSAL

REF: BA 2090

1. IN ECONOMIC EDITORIAL EL CRONISTA COMERCIAL, WHICH RECENTLY HAS BEEN EXPOSING ITS POLITICAL ORIENTATION AND EXCELLENT FREJULI SOURCES TO A DEGREE WHICH IS CAUSING LOCAL WITS TO TERM IT " EL PERONISTA COMERCIAL", DISCUSSES WORLD MONETARY CRISIS IN TERMS OF IMPACT UPON ARGENTINA. FIRST PART OF EDITORIAL PRETENDS TO COVER HISTORY AND CAUSES OF DOLLAR DEVALUATION AND UNSETTLED CONDITIONS IN WORLD CURRENCY MARKETS, PLACING GENEROUS PORTION OF BLAME UPON US FOR EXCESSIVE SPENDING ON SPACE PROGRAM AND OVERSEAS MILITARY ESTABLISHMENTS, AND ACTIVITIES, PLUS LOSS OF COMPETITIVENESS IN INDUSTRY AND PRODUCTIVITY.

2. LAST PART OF EDITORIAL READS AS FOLLOWS IN INFORMAL TRANSLATION: QUOTE BUT NOW THE SECOND ACT OF THE CRISIS IS UPON US. EUROPEAN AND JAPANESE PRODUCTS EXPORTED TO DEVELOPING COUNTRIES ARE MADE SUBSTANTIALLY MORE EXPENSIVE. THESE COUNTRIES
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IN THEIR TURN HAVE LARGELY ONLY DEVALUED DOLLARS WITH WHICH TO BUY. FOR ITS PART, THE US, AFTER HAVING OFFICIALLY TERMINATED THE VIET NAM WAR AND STRENGTHENED ITS LINKS WITH USSR, IS SELLING ITS RESERVES OF STRATEGIC MINERALS - COPPER, LEAD AND ZINC-- CREATING A SITUATION WHICH WILL CAUSE A DROP IN THE PRICES OF THESE MATERIALS AND A DETERIORATION IN THE INCOME OF THE LEAST DEVELOPED PERIPHERY COUNTRIES.

4. ALTHOUGH ARGENTINA IS NOT DIRECTLY AFFECTED BY A FALL IN MINERAL PRICES WHICH IS FORESEEN, IT WILL SUFFER INDIRECTLY BECAUSE MANY LATIN AMERICAN COUNTRIES WILL LOSE PURCHASING POWER AND BUY LESS FROM ARGENTINA. ON THE OTHER HAND, ITS INDUSTRIAL COSTS WILL BE INCREASED AS ITS MONEY DEPRECIATES WITH RELATION TO THE CURRENCIES OF EUROPE AND JAPAN. THIS RELATIVE DEPRECIATION WILL TAKE PLACE OVER AN EXTENDED PERIOD OF TIME WHILE THE PRESENT INCREASE IN THE PRICE OF AGRICULTURAL COMMODITIES MAY BE RELATIVELY SHORTLIVED.

5. THE RESULT IS CLEAR. DEVELOPING COUNTRIES, INCLUDING ARGENTINE, WILL JOIN EUROPE AND JAPAN IN ABSORBING THE EFFECTS OF THE DOLLAR CRISIS WITH THE DIFFERENCE THAT ITS ECONOMIC STRENGTH IS REDUCED. A DEFENSE STRATEGY WITH WHICH TO FACE THE MONETARY CRISIS REQUIRES, THEREFORE, AN EXTENSIVE REVISION OF TRADE WITH WESTERN EUROPE AND JAPAN, A STRENGTHENING OF LINKS WITH OTHER LATIN AMERICAN COUNTRIES AND THE FORMATION OF A COMMON FRONT WITH OTHER DEVELOPING COUNTRIES
IN DEMANDING COMPENSATION FOR THE RESULTING INCREASES IN COSTS OF SUPPLIES ORIGINATING IN ADVANCED COUNTRIES, GUARANTEES AGAINST THE LOWERING OF PRICES FOR BASIC MATERIAL AND GREATER FINANCIAL ASSISTANCE AT LOW INTEREST RATES TO COMPENSATE FOR THE DIMINISHING LIQUIDITY AND VALUE OF THEIR RESERVES. UNQUOTE.

DECON 3/28/74
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*** Current Handling Restrictions *** n/a

*** Current Classification *** LIMITED OFFICIAL USE

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts:
Control Number: n/a
Copy: SINGLE
Draft Date: 29 MAR 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: elyme
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973BUENOS02154
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: n/a
Errors: n/a
Film Number: n/a
From: BUENOS AIRES
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730340/aaaaijy.tel
Line Count: 101
Locator: TEXT ON-LINE
Office: ACTION ARA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 73 BUENOS AIRES 2090
Review Action: RELEASED, APPROVED
Review Authority: elyme
Review Comment: n/a
Review Content Flags:
Review Date: 16 JAN 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <16-Jan-2002 by willialc>; APPROVED <05-Feb-2002 by elyme>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: <DBA CORRECTED> jms 980106
Subject: FURTHER ARGENTINE REACTION TO ANNOUNCED US STOCKPILE DISPOSAL
TAGS: EIND, ESTC, AR
To: ARA
SECSTATE WASHDC
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005